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INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

(Road Equipment of Railroad Subject to I.C.C.)

The undersigned LAKE SUPERIOR & ISHPEMING RAILROAD COMPANY (herein called "Carrier"), a Michigan corporation, hereby requests NATIONAL BANK OF DETROIT (herein called "Bank") to deposit EIGHT HUNDRED FORTY THOUSAND DOLLARS (\$840,000) to the credit of any commercial account carried by Carrier at any office of Bank. To induce Bank to deposit that amount to the credit of Carrier's account as aforesaid, Carrier hereby represents and warrants to and agrees with Bank as follows:

1. (DEFINITIONS) As used herein,

1.1 "first advance" means the aforesaid deposit to the credit of Carrier's account;

1.2 "advances" means, collectively, (a) the first advance, (b) each additional liability or other obligation assumed by Carrier in this security agreement and (c) each additional payment, if any, made by Bank pursuant to this security agreement;

1.3 "debt" means, collectively, all indebtedness owing by Carrier to Bank at the time in question and includes, without limiting the generality of the foregoing, the principal of and interest from time to time accruing on the advances and each additional liability, if any, now or hereafter owing by Carrier to Bank, whether owing only by Carrier or by Carrier with another or others in a several, joint and several capacity, whether owing absolutely or contingently, whether created by note, advance, overdraft, guaranty of payment or other contract or by quasi-contract, tort, statute or other operation of law, whether incurred directly to Bank or acquired by Bank by purchase, pledge or otherwise and whether participated to or from Bank in whole or in part;

1.4 "chattels" means, collectively, the items of personal property described or referred to in the "Schedule of Collateral" following the signature page of this security agreement (which "Schedule of Collateral" is an integral part of the security agreement) and each part, accessory, attachment, addition or other kind of equipment or goods now or hereafter installed in, affixed to or used in connection with that personal property or any thereof and each replacement for the foregoing or any thereof; and "chattel" means any one of the foregoing;

1.5 "possible default" means any event, condition or thing which constitutes, or which with the lapse of time or the giving of notice or both would constitute, any event of default hereunder.

2. (WARRANTIES) Carrier hereby represents and warrants to Bank as follows:

2.1 Carrier is a duly organized and validly existing corporation under the laws of the State of Michigan and is duly qualified to do business in each state in which Carrier has any substantial assets or transacts any substantial business.

2.2 Carrier has legal power and right to enter into this security agreement and to perform and observe all provisions hereof. Carrier's officers executing and delivering this security agreement have been duly authorized to do so and, when so executed and delivered this security agreement will be valid and legally binding upon Carrier in every respect. By entering into and performing and observing the provisions of the security agreement, Carrier will not violate any existing provision of its articles of incorporation or by-laws or of any applicable law or governmental organization or violate or otherwise become in default under any existing contract or other obligations binding upon Carrier. No approval, consent, order, negotiation or qualification of or with any governmental authority or regulatory body, state, federal or local, is necessary or required for the execution, delivery or performance of this Security Agreement.

2.3 No litigation or proceeding is pending or threatened which might, if successful, adversely affect Carrier to a substantial extent. The Internal Revenue Service has not alleged the nonpayment or underpayment of any tax by Carrier or threatened to make any assessment in respect thereof.

2.4 Carrier is the sole and absolute owner of each chattel. Carrier has not entered into any other security agreement in respect of the chattels or any thereof and there exists no title, security interest, lien or other claim of any kind in or to the chattels or any thereof other than Bank's security interest and Carrier's right of redemption.

2.5 No possible default exists under this security agreement nor will any possible default occur upon execution and delivery hereof or by reason of Carrier's performance and observance of the provisions hereof.

3. (FIRST ADVANCE) The first advance shall be repayable in fourteen (14) consecutive semi-annual installments in the principal sum of Sixty Thousand Dollars (\$60,000) each, with the first installment to become due on the 1st day of July, 1976. So long as no event of default shall have occurred or shall exist hereunder, the principal balances of the first advance shall bear interest, until January 1, 1983, at a rate per annum which shall be one per cent (1%) per annum above Bank's prime rate ("prime rate" means the best rate of interest generally charged by Bank for unsecured short-term commercial loans to the most credit-worthy commercial borrowers constituting part of a class of borrowers having asset and indebtedness characteristics similar to Borrower) from time to time in effect, and thereafter until paid, at a rate per annum which shall be two per cent (2%) per annum above Bank's prime rate, from time to time in effect, with each change in the prime rate resulting automatically and immediately in a change in the rate applicable to the first advance prior to the occurrence of any event of default. The interest shall be payable quarterly on the 1st day of January, April, July, and October of each year, commencing on the 1st day of April, 1976 and upon occurrence of any event of default hereunder.

4. (COLLATERAL) Carrier agrees that Bank shall at all times have, and hereby grants to Bank, a security interest in the chattels as security for the debt.

5. (NEGATIVE COVENANTS) Carrier agrees that, without in each case first obtaining Bank's written consent, Carrier will not at any time (a) grant any security interest in or create any other lien of any

kind on the chattels or any thereof other than the security interest hereby granted to Bank, (b) lease, sell or otherwise dispose of the chattels or any thereof, (c) abandon, conceal, injure or destroy the chattels or any thereof or deface any identifying mark thereon, (d) allow the name of any person or entity, other than Bank and Carrier, to be placed on any of the chattels as a designation which might be interpreted as a claim of ownership, security interest or other right, (e) use the chattels or any thereof in violation of any law or governmental regulation, or (f) permit its Total Liabilities at any time to exceed 100% of its Tangible Net Worth. For purposes hereof "Total Liabilities" shall mean all obligations of Carrier which in accordance with generally accepted accounting principles shall be classified upon its balance sheet as liabilities; "Tangible Net Worth" shall mean the sum of the par or stated value of all outstanding capital stock, surplus and undivided profits of Carrier less any amounts attributable to goodwill, patents, copyrights, mailing lists, catalogues, trademarks, bond discount and underwriting expenses, organization expenses and other intangibles (not including prepaid expenses classified as current assets), all as determined in accordance with generally accepted accounting principles; and "generally accepted accounting principles" shall mean generally accepted accounting principles applied on a basis consistent with those reflected in the financial statements referred to in Paragraph 6 hereof.

6. (AFFIRMATIVE COVENANTS) Carrier agrees to provide the Bank with a favorable opinion of counsel to the Carrier with respect to the makers contained in Paragraphs 2.1, 2.2 and 2.3 hereof, and at all times (a) to repay the principal of, and to pay interest on, the first advance in accordance with the provisions of section 3 hereof, (b) to maintain each of the chattels in as good condition and repair as it now is (reasonable wear excepted), all at no cost or expense to Bank, (c) to pay promptly every tax or assessment imposed on the chattels or any thereof, the use thereof, the debt thereof or any part thereof or this security agreement, (d) to satisfy any lien that may be impressed upon the chattels or any thereof before such lien or any obligation secured thereby becomes in default in any manner, (e) to keep the chattels insured (or self-insured, if Bank shall consent in writing to self-insurance by Carrier) in such amounts, by such policies, by such insurers and against such losses and hazards as Bank may from time to time reasonably require, all at no cost or expense to Bank, each of which insurance policies shall include a loss payable clause (in form satisfactory to Bank) in favor of Bank as its interest may appear, (f) to deposit each such insurance policy with Bank and to deliver to Bank, in each case not less than ten days prior to the last day for making payment without penalty, a receipt for the payment of each premium thereon, (g) to comply with all applicable laws and governmental regulations pertaining to the chattels or the manner of using or operating the same and, if any applicable law or regulation shall require any change, replacement or addition of any kind in or to the chattels or any thereof, to notify Bank thereof promptly in writing and promptly effect each required change, replacement or addition; (h) to cause each side of each of the chattels to be conspicuously marked "National Bank of Detroit, Secured Party" in letters not less than one inch in height; (i) to keep the chattels numbered with Carrier's identifying road numbers as set forth in the schedule of collateral following the signature page hereof and, in each case before making any change or permitting any change to be made in any identifying road number, to notify Bank hereof in writing and to record or file an appropriate statement thereof in each public office where this security

agreement shall have been recorded on file, (j) promptly upon each written request of Bank to pay all costs and expenses of perfecting Bank's security interest hereunder and verifying its priority, (k) to permit Bank to inspect the chattels at the then existing locations thereof, (l) to give Bank such information in writing about location, physical condition and general use of each chattel as Bank may from time to time reasonably request, (m) to defend, indemnify and save Bank harmless from and against any out-of-pocket expense, cost, loss and liability, if any, of any kind incurred by Bank in any manner in respect of the chattels or by reason of this security agreement, (n) to give Bank prompt written notice of the occurrence of any possible default hereunder, and (o) to furnish to Bank:

(1) Within 100 days after each fiscal year of Carrier, a detailed report of audit of Carrier for such fiscal year, including the balance sheet of Carrier as of the end of such fiscal year and the statement of profit and loss and surplus of Carrier for the fiscal year then ended, prepared by independent certified public accounts of recognized standing.

(2) Within 45 days after the end of each quarter of each fiscal year of Carrier, the balance sheet of Carrier as of the end of such quarter and the statement of profit and loss and surplus of Carrier from the beginning of such fiscal year to the end of such quarter, unaudited but certified as correct (subject to year-end adjustments) by an appropriate officer of Carrier.

7. (ADDITIONAL PAYMENT OR COLLATERAL) Carrier agrees to give Bank prompt written notice whenever any chattel or chattels become destroyed, lost or damaged beyond repair and within ten days after each such destruction, loss or damaging either (a) to replace each such destroyed, lost or damaged chattel with another chattel (herein called "substituted chattel"), which shall be of the same or later year of manufacture or complete rebuilding (as the case may be), the same or costlier type and the same or better physical condition, and to execute and deliver to Bank a security agreement which shall grant Bank a security interest in each such substituted chattel as security for the debt and (except for necessary changes in dates and in references to the debt and the collateral) shall be in the same form and of the same substance as this security agreement or (b) pay Bank in cash, for application to the principal installments of the first advance in the inverse order of their respective maturities, an amount bearing the same ratio to the then unpaid principal balance of the first advance as the aggregate value of the destroyed, lost or damaged chattel or chattels (as set forth in the schedule of collateral following the signature page of this security agreement) bears to the aggregate value of the chattels, namely:

8. (ADDITIONAL ADVANCES) Carrier agrees that if Carrier shall fail or omit to perform or observe any obligation imposed upon Carrier by this security agreement or by any other contract pertaining to the chattels or the debt or by operation of law, Bank shall have the right (but not the duty) to perform each such obligation on behalf of Carrier and at Carrier's cost and expense; and each payment made by Bank in performing such an obligation shall, together with interest thereon at the rate set forth in Paragraph 3 hereof, constitute a part

of the advances and a part of the debt and shall be secured by the chattels pursuant to this security agreement.

9. (EVENTS OF DEFAULT) Each of the following shall constitute an event of default hereunder, namely,

9.1 The debt or any part thereof shall not be paid in full immediately when due and payable, whether by lapse of time or acceleration of maturity or otherwise, or within ten days after the giving of written notice of the default to Carrier.

9.2 Any representation and warranty made by Carrier in or pursuant to this security agreement, or any other information furnished by Carrier to Bank, shall be false or erroneous in any material respect.

9.3 Carrier shall fail or omit to perform and observe any agreement (other than those referred to in subsection 9.1 hereof) contained in this security agreement and shall fail or omit to correct such default within ten days after the giving of written notice of the default to Carrier.

9.4 Carrier shall (a) discontinue business, or (b) make a general assignment for the benefit of creditors, or (c) apply for or consent to the appointment of a receiver, trustee or liquidator for Carrier or of all or a substantial part of its assets, or (d) be adjudicated a bankrupt or insolvent, or (e) file a voluntary petition in bankruptcy or file a petition or an answer seeking reorganization or an arrangement with creditors or seeking to take advantage of any other law (whether federal or state) relating to relief of debtors, or admit (by answer, by default or otherwise) the material allegations of a petition filed against it in any bankruptcy, reorganization, insolvency or other proceeding (whether federal or state) relating to relief of debtors, or (f) suffer or permit to continue unstayed and in effect for thirty (30) consecutive days any judgment, decree or order, entered by a court of competent jurisdiction, which approves a petition seeking reorganization of Carrier or appoints a receiver, trustee or liquidator for Carrier or of all or a substantial part of its assets or (g) take, or omit to take, any action in order to effect any of the foregoing.

10. (ACCELERATION OF MATURITY) If there shall occur or exist any event of default hereunder, then and in each such case Bank may declare the entire first advance to be immediately due and payable in full, and upon any such declaration the entire principal balance of and accrued interest on the first advance shall forthwith become due and payable in full, Carrier hereby waiving any presentment, demand, or notice of such declaration.

11. (REMEDIES) Carrier agrees that if the debt or any part thereof shall not be paid in full immediately when due and payable, whether by lapse of time or acceleration or otherwise, then and in each such case.

11.1 Carrier will, forthwith upon Bank's written request, assemble the chattels (if so required by Bank) at such point or points upon Carrier's lines of railroad as Bank shall request and permit the same to be examined by Bank or by anyone else having Bank's permission to do so; and Bank may, either with or without notice to or demand upon

Carrier and either with or without the aid of legal process, make use of such force as may be necessary to enter any premises where the chattels or any thereof may be found and to take possession thereof (including anything found therein that is not specifically described in this security agreement, each of which findings shall be considered to be an accession to and a part of the chattels) and for that purpose may pursue the chattels wherever the same may be found, without liability for trespass or damage caused thereby to Carrier;

11.2 Bank in its discretion may, with or without recourse to Carrier personally or to any other person or property (all of which Carrier hereby waives) and upon such terms and in such manner as Bank may deem advisable, sell the chattels at any time or, from time to time, any thereof. Bank shall give Carrier not less than ten-days' prior written notice of either the date after which any intended private sale is to be made or the time and place of any intended public sale; but Carrier waives any further or other notice of the sale and also waives advertisement thereof. At each public sale, Bank may purchase the chattels or any thereof free from any right of redemption, which rights Carrier hereby waives and releases. After deducting all proper and reasonable costs, attorney's fees and other expenses incurred in the premises, including, without limitation all costs and expenses incurred in pursuing, searching for, taking, repairing, keeping, storing and selling the chattels or any thereof, and after paying all claims (if any) secured by liens having precedence over this security agreement, Bank may apply the net proceeds of each such sale to or toward the payment of the debt (whether or not then due) in such order and by such division as Bank in its discretion may deem advisable.

12. (INTERPRETATION) Each right, power or privilege specified or referred to in section 11 of or elsewhere in this security agreement is cumulative and in addition to and not in limitation of any other rights, powers and privileges that Bank may otherwise have or acquire by operation of law, by contract or otherwise. No course of dealing by Bank in respect of, nor any omission or delay by Bank in respect of, nor any omission or delay by Bank in the exercise of, any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or of any other right, power or privilege, as Bank may exercise each such right, power or privilege either independently or concurrently with others and as often and in such order as Bank may deem expedient. No waiver, consent or other agreement shall be deemed to have been granted by Bank pursuant to this security agreement or be binding upon Bank unless specifically granted in writing, and each such writing shall be strictly construed. No notice required or permitted to be given to Bank hereunder shall be deemed to have been given unless delivered in writing to the loans and securities department at Bank's main office. Carrier hereby waives notice of the making and depositing of said advance as aforesaid. Carrier agrees that this security agreement shall bind Carrier and Carrier's successors and assigns and shall benefit Bank and its successors and assigns. The entire agreement between the parties as to the chattels and the debt has been reduced to writing, and no oral agreement (if any) shall be binding. This security agreement and the security interest herein created in the chattels shall terminate upon the payment in full of the principal of and interest on the advances unless any of the other debt then owing by Carrier to Bank in any manner shall be then in default in any manner, in which latter event this security agreement and the security interest shall terminate only upon payment

in full of all of the debt. Every notice to Carrier shall be deemed to have been duly given hereunder when sent to Carrier by registered or certified mail at Carrier's address set forth below or such other address that may have been furnished by Carrier to Bank's loan and securities department for such purpose; provided, that no other method of giving notice to Carrier is hereby precluded.

Dated at Marquette, Michigan This 22nd day of January, 1976.

Address: East Washington Street
Marquette, Michigan

LAKE SUPERIOR & ISHPEMING
RAILROAD COMPANY (Carrier)

By: James J. Scullion
President and General Manager

And: Melvin W. Rossway
Senior Vice President - Finance

STATE OF MICHIGAN)
) SS:
COUNTY OF MARQUETTE)

On this 22nd day of January, 1976, before me personally appeared James J. Scullion and Melvin W. Rossway, each being personally known to me and being by me duly sworn, who respectively say that they are the President and General Mgr. and the Senior Vice President-Finance of Lake Superior & Ishpeming Railroad Company, that the seal affixed to the foregoing instrument is the corporate seal of that corporation, the said instrument was signed and sealed on behalf of that corporation by authority of its board of directors, and they acknowledged that the execution of the foregoing instrument was the free act and deed of that corporation.

Marion O. Woodward
Marion O. Woodward, Notary Public

Marquette County, Michigan
My Commission Expires: 3/12/79

SCHEDULE OF COLLATERAL

<u>Quantity</u>	<u>Description</u>	<u>Value Per Unit</u>	<u>Total Value* For All Units</u>
100	Ore Hopper Cars (85-Ton Capacity) Numbered 8500-8599 Incl.	\$ 6,592.98	\$659,298
10	Steel Box Cars (159,000 lb. Capacity) Numbered 2700-2709 Incl.	21,210.20	212,102
		GRAND TOTAL	<u>\$871,400</u>

* Rounded to nearest dollar